

EX PARTE OR LATE FILED



January 21, 1999

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

EX PARTE PRESENTATION

Re: *In the Matter of Deployment of Wireline Services Offering Advanced  
Telecommunications Capability, CC Docket No. 98-147*

Dear Ms. Salas:

On December 21, 1998, Marian Dyer and the undersigned representing SBC met with Linda Kinney representing Commissioner Ness to discuss issues in the above referenced docket.

The SBC representatives discussed the attached letter from Zeke Robertson to Bob Rowe. In addition, the SBC representatives reviewed the attached net present value analysis of the attributes of the proposed 272 affiliate.

Please include this letter and attachments in the record of these proceedings in accordance with Section 1.1206(a)(2) of the Commission's Rules.

Acknowledgment and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached for that purpose.

Please contact the undersigned should you have any questions.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lincoln E. Brown".

Attachments  
Cc: Linda kinney

No. of Copies rec'd 011  
List ABCDE

Dale (Zeke) Robertson  
Senior Vice President

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January 18, 1999

The Honorable Bob Rowe  
Commissioner, Montana Public Services Commission  
First Vice President  
Chair, Communications Committee  
National Association of Regulatory Utility Commissioners  
1100 Pennsylvania Ave. NW Room 603  
P.O. Box 684  
Washington, D.C. 20044

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Dear Mr. Rowe:

I write in response to a letter sent to you on January 8 by representatives of MCI/Worldcom, AT&T, CompTel, and Quest that expresses their "serious concerns regarding the FCC's pending proposal to permit ILECs to create unregulated separate affiliates."

Let me begin by saying that the parties' "the sky is falling" fear is unwarranted and is simply an emergency reaction to the FCC's proposal to level the competitive playing field in the advanced telecommunications market. It is quite clear that the intent of their letter is to create issues for one purpose - delaying the ILECs and/or their affiliates' deployment of competitive services.

SBC's deregulatory proposal to the FCC was based on its desire to broadly deploy advanced services to the benefit of consumers. The parties' tactic here is simply designed to inhibit deployment and squelch competition since there has been no inclination by the parties to make these services available to consumers other than those that are in highly profitable areas. Their approach is counter to Congress' intent to make advanced services available to Americans in timely manner.

Allegations concerning state certification and quality of service and their impact on state resources are red herrings. The states are well equipped with regulatory tools to keep service quality at desirable levels and have historically done so. Perhaps the parties should be reminded that it is the proposed affiliate that would operate on a largely deregulated basis, not the incumbent. The FCC's proposal makes that clear by the continuance of Section 251 requirements of the Act on the incumbent. Additionally, if all of the states believed that the proposal would have a deleterious effect on the public switched network and would be detrimental to their public policy authority, these issues would have come up long ago and the FCC would have been deluged by the states' disagreement. This has not happened. In fact, states such as California have provided suggestions on how to make the proposal work.

It is interesting that the parties make no mention of ILECs that currently have the freedom to do exactly what the parties fear. Sprint, for example, has ILEC operations and has huge plans for rollout of their ION advanced data service through their IXC company. The same situation exists through AT&T/TCI's offering of advanced digital services. This begs the question - how are these situations different from what the FCC is proposing for the ILECs? Additionally, one can look at the various stages of how AT&T became deregulated. It started with their premium services such as WATS and eventually led to deregulation of their basic toll service. How can AT&T suggest that what they fear will only occur with ILEC deregulation?

The parties' fear that ILEC network quality would suffer from lack of incentive to invest in new plant because new investment focus would be directed to the proposed subsidiary is ludicrous. SBC does have an incentive for maintaining and upgrading its network. That incentive is its existing base of customers that do not purchase advanced services. If SBC were to adopt the FCC's affiliate proposal, it would be absolutely detrimental to SBC to simply ignore those customers by letting the incumbent network degrade. Network quality becomes even more important given the nature of current competition and the clip by which it is growing.

The parties should also be reminded that the proposed affiliate would have to obtain the same network elements to compete for these services just as its competitors do. Therefore, the affiliate would experience the same network needs. With the proposed requirements, the incumbent would not be permitted to provide its affiliate with better quality network elements than it would to competitors. There would be a natural incentive for the incumbent to maintain the quality and integrity of the network so as to meet the demands of its sister affiliate.

The allegation that the "New LEC" would cannibalize the "Old LEC" or would put all of the exchange investment in the "New LEC" is conjectural. At no time has this been proposed. It is difficult to imagine that the FCC would allow the transfer to the subsidiary of any facilities or network elements deemed necessary for competitors to compete in the local market.

It is important to note that the FCC's proposal is an option and has not been unanimously endorsed by any of the ILECs - one can make this determination by reviewing the record on the open proceeding. Despite SBC's belief that the proposed subsidiary is unnecessary and far too costly, we do believe that the FCC is headed in the right direction and that this proposal would not be on the table if the FCC didn't believe that there is sufficient competition for advanced services. Nonetheless, if this option were taken by any ILEC, the parties' supposed effect on the telecommunications service industry is purely speculative, especially at this juncture.

It is for the previously mentioned reasons, SBC strongly believes that the FCC should not stop its deliberations simply because at the last minute, these parties have come in and attempted to fabricate what are in essence non-issues.

Sincerely,

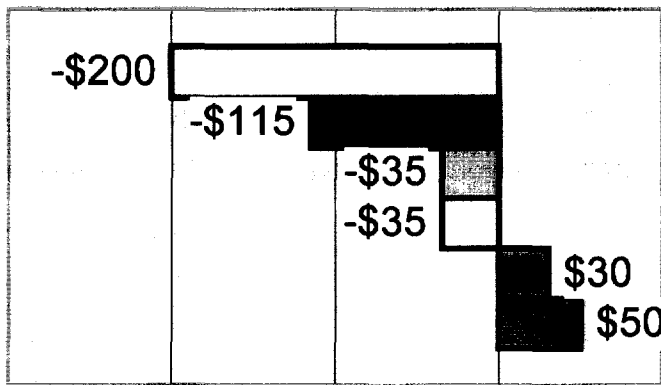


Zeke Robertson

Cc: Chairman William Kennard  
Commissioner Susan Ness  
Commissioner Gloria Tristani  
Commissioner Michael Powell  
Commissioner Harold Furchtgott-Roth  
Larry Strickling, Chief, Common Carrier Bureau - FCC  
Bob Pepper, Chief, Office of Plans and Policy  
Jim Sullivan, President - NARUC  
Margaret Welsh, Executive Director - NARUC  
Charles Gray, General Counsel - NARUC  
Brad Ramsey, Assistant General Counsel - NARUC

FCC August 6, 1998 Notice of Proposed Rulemaking  
Study-grade Financial Impact Assessment

FCC NPRM Financial Impact Assessment



Net Present Value

- ☐ Separate Local Loop
- ☒ Network Assets
- ☒ Separate Personnel
- ☐ Separate OSS
- ☒ Pricing Flexibility
- ☒ Interlata Data